

Trade Invest Monthly

Hawaii's International Business Network

HAWAII NOTICES

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Hawaii Firms Invited to Participate in Trade Mission to Japan

Hawaii companies interested in expanding trade and business opportunities with Japan—especially in the area of high technology—are invited to participate in a business expansion mission to Osaka and Niigata, September 1-10, 2002.

Sponsored by DBEDT and the Honolulu Japanese Chamber of Commerce (HJCC), the mission will focus on specific technology niche areas such as information technology and telecommunications, biotechnology, marine science technology, and ocean research and development.

"This is an opportunity for many firms to explore the Japanese market for customers, partners and investors—as well as promote their products and services," said DBEDT Director Seiji Naya. "Participants will have the opportunity to meet one-on-one with pre-screened Japanese businesses interested in establishing alliances with Hawaii companies."

During the visit to Osaka a special seminar, entitled *Hawaii's Technology Niche Clusters*, has been scheduled for Hawaii's private sector firms, as well as the Natural Energy Laboratory of Hawaii (NELHA) and DBEDT's Ocean Resources Branch to make presentation.

In Niigata, a joint panel discussion on *Marine Sciences, Ocean Research and Development, and Deep Sea Water Technologies in Hawaii* is planned. Niigata-area businesses, educational institutions, government officials and research centers involved in deep sea water development, bio-tech research, food and beverage production, and aquaculture will be invited to meet with Hawaii businesses with expertise in deep sea water applications.

Mission participants will also attend the *Venture 2002: Asian Forum on Venture Business*, sponsored by the Asian Productivity Organization (APO).

For more information, contact Dennis Ling at dling@dbedt.hawaii.gov or Tel: (808) 587-2755.

Hawaii Sister Summit 2002 - Reminder

As a reminder, the Hawaii Sister Summit 2002 will be held on July 8-11, 2002, at the Convention Center in Honolulu. This is Hawaii's first major gathering of all sister state/city/county relations. While most of these relations are based on cultural exchanges, this summit will focus on business development opportunities adding a new dimension to some long standing traditions.

Hawaii companies wanting to showcase their products and services to an international audience are urged to participate in the conference.

Areas of special focus will include technology; tourism and resort development; energy and the environment; and agriculture and aquaculture. In addition, the Summit will feature presentations by experts from Hawaii and its sisters; an exhibition; and site visits to business, research, and educational facilities.

Conference registration fee is \$125 for three and one-half days, including conference materials, a reception, lunches & breakfasts.

For further information, contact Dr. James P. Dorian at DBEDT, Tel: (808) 586-2352; E-mail: jdorian@dbedt.hawaii.gov

Governor's Exporter of the Year Nominations—Reminder

As a reminder, nominations are now open for the 2002 Governor's Exporter of the Year awards.

This program recognizes companies and individuals that have made significant contributions to expanding exporting of Hawaii's products and services.

Six primary awards will be made: 1) Fresh Commodities; 2) Manufactured Products; 3) Professional Services; 4) High Technology; 5) the Export Trading Company; and 6) New Exporter.

Winners will be chosen based on achievements in sales during the past three years, with special consideration given to creative marketing ideas and contributions to helping others expand export markets.

The Governor's Exporter of the Year will be chosen among these six category winners. In addition, the Outstanding Contributor to Exporting will be awarded to the individual and/or organization that has been instrumental in promoting Hawaii exports.

Nomination forms must be received by DBEDT no later than Wednesday, July 31, 2002, 4:30 p.m. The May 2002 issue of *Trade Invest Monthly* incorrectly stated the deadline as Friday instead of Wednesday.

To obtain nomination forms or for more information, contact DBEDT's Business Development and Marketing Division by Tel: 587-2584; Fax: 587-3388, or e-mail to info@dbedt.hawaii.gov

Worldwide Market Reports

Due to the large number of requests for reports, we have made the request process easier to better serve you. To request reports, send the request form by Fax: (808) 587-3388 or email: tradeinvest@dbedt.hawaii.gov. The report service offered is reserved for Hawaii companies only.

If you are outside of Hawaii and are interested in the reports highlighted in our newsletters, please go to the United States Department of Commerce website, www.stat-usa.com. You will have the choice of ordering the reports you need for a small fee or you can subscribe to their service for an annual fee and have unlimited access to all reports and services.

Also, some of these market reports are located at www.usatrade.gov

Taiwan – New Nutritional Labeling Regulations

Source: U.S. Department of Agriculture—Taiwan. On September 10, 2001, the Taiwan Department of Health announced that “any consumer packaged food marketed in Taiwan that makes nutritional claims should carry specific nutrition labeling,” effective September 1, 2002.

Consumer-packaged foods produced on or after September 1, 2002, must conform with the new regulations. The labeling referenced denotes labeling in Mandarin Chinese using Traditional characters.

In addition, all dairy products and all beverages produced after January 1, 2003, except alcoholic beverages, must have nutrition labeling.

Imported products which fail to comply with the regulations will not be permitted entry.

The English version of the “Regulations on Nutritional Claims for Packaged Food” is not yet available. The U.S. Department will publish an updated report when it becomes available.

In summary, the “Regulation on Nutritional Claims for Packaged Food” divides nutritional claims into two categories:

- 1) “appropriate intake needed”, and
- 2) “supplementary intake may be taken.”

The former is for nutrients such as calories, fat, saturated fatty acids, cholesterol, sodium and sugar – for which excessive intake will adversely affect human health. The latter is for nutrients such as dietary fiber, Vitamin A, Vitamin B1, Vitamin B2, Vitamin C, Vitamin E, Calcium and Iron, for which insufficient intake will negatively affect human health.

The regulation also details the criteria for the content level of the nutrients to be labeled as “free”, “without”, “slightly contained”, “high”, “rich in”, “fortified”, “excellent source of”, “source of”, “provide”, or “contain” of nutrients.

Hong Kong – Outbound Travel Industry

Source: U.S. & Foreign Commercial Service – Hong Kong. Despite its small size, Hong Kong has a significant outbound tourist market.

In 2001, Hong Kong recorded 4.8 million resident departures to non-China/Macau destination. The U.S. attracted 218,175 Hong Kong visitors in 2001, earning the distinction as the fifth largest Asian market for outbound tourists to the U.S.

According to the U.S. Travel and Tourism

Administration, based on the average tourist spending habits of about US\$1,500 in the U.S., the Hong Kong tourists produced an estimated US\$327 million of travel receipts to the U.S. in 2001.

The growth prospects for Hong Kong travelers to the U.S. depend on the following influential factors: 1) economic climate, 2) airfare cost, 3) direct flight, and 4) air carrier's capability and visa issues (the European Commission waives visa application requirements for HK SAR passport holders).

Traditional routes for the west coast cover the following cities: Los Angeles, San Francisco, Hawaii, Las Vegas, and Vancouver, Canada.

There are many carriers with non-stop and direct flights between Hong Kong and the U.S.: United, Northwest, Continental, Singapore, China Airlines, Air Canada, ANA, JAL, and Cathay Pacific. Singapore will begin non-stop services to Las Vegas in August 2002.

Philippines – Planting Seeds

Source: U.S. Department of Agriculture – Manila. Due to a El Nino dry spell predicted to occur in the last quarter of this year, it is expected that there will be a decline in planting seed imports as dry growing conditions will discourage planting activities. The decline is likely to extend through the end of June 2003.

However, beyond that period, planting seed imports are expected to surge as the Government of the Philippines aggressively pursues its agricultural modernization plan which emphasizes the use of modern agricultural technologies including superior planting seeds.

Although home-saved seeds remain the dominant seed practice, the use of quality seeds is expected to gradually increase in the next three to five years.

Main crops are rice, with an annual harvest area of four million hectares, and corn with an annual harvest of 2.7 million hectares.

On the other hand, as the Philippines has one of the lowest per capita vegetable consumption level in the region, the domestic vegetable seed industry is still considered in its infancy stage. As such, it is not given much attention, and there is no long term plan for vegetable production in the country.

Philippines has no plant variety protection (PVP) law in place, and is on the Priority Watchlist of the USTR in its annual “301 Special” report. Recent legislative developments, however, reveal that a PVP law will soon be in place.

Korea - Restaurant Franchise Market

Source: U.S. & Foreign Commercial Service – Korea. Family restaurant franchises registered major growth in 2001, with a 38.6% growth rate in revenues over 2000.

The top-five restaurant franchises in Korea were *TGIF* (32% share), *Bennigans* (20% share), *Outback Steakhouse* (18% share), *Marche* (15% share), and *Tony Roma's* (15% share).

Including other small to medium-sized restaurant franchises, the total market value of the restaurant franchise industry in Korea is estimated at US\$290 million.

This sector will continue to expand due to the new generation of affluent Korean consumers coupled with changes in Korea's distribution system that favor new products and marketing concepts. Also pushing the sector is the Korean government plan of adopting a five-day work week, the 2002 World Cup Games, Korea's continued strong economy, and the government support for franchises.

Potential Korean franchisers are seeking, and prefer to do business with, U.S. franchisers that can offer their established brand names to the Korean consumer as well as the American-style systematic management skills the U.S. headquarters can provide.

Vietnam - Shrimp Farmers Required To Clean Up Waste

Source: U.S. & Foreign Commercial Service - According to the Saigon Time Daily dated 3/19/02, Ho Chi Minh City's Service of Agriculture and Rural Development (SARD) has ordered shrimp farmers in the estuarial Can Gio and Nha Be districts to build treatment systems and find effective ways to prevent spillage and water contamination caused by shrimp farming. The order is not only aimed at alleviating the heavy toll on the environment by shrimp farming but also at reducing the incidence of infectious diseases and

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Canada Minister Attacks U.S. Farm Bill at World Food Summit

Source: U.S. Department of Agriculture. On June 11, 2002, Canadian Agriculture and Agri-Food Minister Lyle Vancil held a press conference at the World Food Summit in Rome, and said that the U.S. Farm Bill will not only hurt Canadian farmers, but also developing nations. It will also under-

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Japan News

In the News

Source: U.S. Department of Agriculture – Agriculture Trade Office Tokyo. Recent reports from various Japanese mass media and food press are below:

- Total sales and profits of Japan's two largest supermarket retailers increased in 2001 over 2000, according to the companies' year-end financial reports. Ito-Yokado's total sales rose 2.1%, while profits rose an astounding 88.1%. At the same time, total sales of rival AEON (formerly Jusco) rose 2.9% and profits rose 12.4%. Both companies are preparing for increased competition expected from the arrival of Wal-Mart to Japan. (4/12/02 issue of *The Japan Economic Newspaper*)
- Upscale supermarkets are starting to open stores in the food basements of department stores, as food sales have been a growing area for department stores in recent years. For example, Kinokuniya opened a store in the food basement of Tokyo Department Store in Tokyo in March which has attracted many working women. (4/9/02 issue of *The Japan Economic Newspaper*)
- Daiei has opened a specialty supermarket called "Sukuyaka Sodachi" (Healthy Living) in Chiba Prefecture. The store carries about 1,000 food product lines mainly focused on health, such as reduced-pesticide vegetables and food products without additives. Daiei plans to open five store of this type in 2002. (4/20/02 issue of *Nihon Nogyo Shimibun*)
- Sony Music Entertainment (SME) is planning to start a casual food service business in partnership with a prominent French chef, Joel Robuchon. The first restaurant is scheduled to open in Tokyo in May 2003 and will be operated by Four Seeds Corporation, a major pizza restaurant and delivery company. SME is looking for a partner to expand the retort food product business under the Chef Robuchon brand. (5/14/02 issue of *The Japan Economic Newspaper*)
- According to a Nikkei Marketing Journal survey, total sales of Japan's top 100 food service companies increased 4.1% in 2001 compared to 2000. The top three ranking companies in terms of sales in 2001 were: 1) McDonald's Japan, 2) Skylark, and 3) Hokka Hokka-Tei (*bento* lunch box take-out company). The top three companies in terms of highest growth in 2001 were: 1) Reins International, 2) Starbucks Coffee Japan, and 3) Kiwa Corporation. (4/25/02 issue of *The Nikkei Marketing Journal*)

Japan – E-Learning

Source: U.S. & Foreign Commercial Service – Japan. The e-learning market is growing rapidly in Japan and it is expected to reach 1,000 billion yen (US\$8 billion) in 2010.

There are opportunities for U.S. companies in this emerging market, 1) by jointly developing programs, 2) by joint venture partnerships with appropriate Japanese companies, or 3) by preparing Japanese version of existing products and selling them directly to Japanese consumers.

A government surveyed 2,200 people of all ages, and the result were published in the "E-Learning Hakusho (White Paper) 2001/2002." High growth is specifically expected in the higher education and corporate training markets.

The top five areas of study interest were: 1) computer-related, 2) language, 3) culture & liberal arts, 4) business, and 5) education & social welfare.

As mentioned in the May 2002 issue of Trade Invest Monthly, E-learning could be an ideal medium for MBA programs because many people wish to obtain the degree but are hesitant to leave their present job and home.



A few U.S. companies such as Click2learn.com, Inc, Global English, IBM Japan, and Unisys have established a presence in the Japanese market.

Other competitors include Macquarie University of Sydney, Australia – which began offering an on-line masters degree program in April 2002.

Personal Financial Assets Decline Slightly

Source: Japan External Trade Organization (JETRO). The Bank of Japan reports that the financial assets of the household sector declined by 0.3% over the course of 2001, ending the year at JPY1,420.4 trillion (US\$11 trillion).

With lower stock pricing and a leveling of income, families are moving their savings around to avoid losses when the government ceases to guarantee all bank deposits.

Money is being taken out of postal savings as they reach maturity, and also from large bank deposits.

Much of it is being placed temporarily in ordinary accounts, which are to be exempted from the new rule until April 2003.

Increases also occurred in foreign-currency assets such as foreign-currency deposits and overseas securities.

Home Remodeling Market

Source: U.S. & Foreign Commercial Service—Japan. The size of Japan's remodeling market was estimated at 6.0 trillion yen (US\$49.6 billion) in 2001, and is expected to continue at 5% growth per year over the next five to ten years due to the following trends:

- There are currently 50 million dwellings in Japan while there are 45 million established households. As the number of existing dwellings exceeds the number of households, it is expected that new housing starts will decline over the long term.
- As Japan's society continues to age, there is a demand for remodeling to incorporate building products and architectural designs for seniors.
- Japan's newer homes are of superior quality and structural integrity. It makes economic sense to remodel or improve an existing home to extend its usable life.
- The Japanese Ministry of Land, Infrastructure and Transport (MLIT) announced a housing reform action plan in which one of its two main objectives is to support and develop the remodeling/home improvement market.

Products with potential in the remodeling market include vinyl windows, wood flooring, wood windows and doors, kitchen and bathroom equipment, and kitchen cabinets.

Japan's Trade Surplus Shrinking

Source: JETRO. Until relative recently, the Japanese economy has been running huge surpluses in its balance of trade.

However, since peaking in 1998, the annual trade surplus has declined three years in a row.

Due to changes in Japan's economic structure, in order to remain competitive in the world economy, Japanese manufacturers started moving their production offshore to Asian countries where the labor costs were much lower. As those products are brought into Japan as a "reverse import," it is contributing the swing in the trade balance.

Another factor is the increasing number of Asian firms seeking to develop sales in Japan under their own brand names.

Canadian Minister Attacks U.S. Farm Bill

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mine world hunger reduction goals set forth by member nations of the Food and Agriculture Organization (FAO) of the United Nations.

Joining Vanclief at the press conference were representatives from Argentina, Australia, Bolivia, Brazil, Mexico, South Africa, Thailand, and Uruguay.

According to Vanclief, "The U.S. Farm Bill and higher European Union subsidies distort world commodity markets and hinder the capacity of developing nations to participate actively in this system. New support payments for some American pulse crops will especially impact developing nations that are significant producers of these crops."

Ensenada's Marina, Hotel and Spa Opportunities

Source: U.S. & Foreign Commercial Service – Mexico. Marinas del Noroeste won the concession to construct and operate a resort marina in Ensenada, Baja California.

The project includes the construction of a marina with 327 slips, two hotel with 230 rooms, a spa, a residential area with condominiums and a commercial area. The initial investment is US\$46 million.

The complex will be located inside API Ensenada (Ensenada Port), next to the Cruise-Port Village, and will focus on serving the nautical tourists from California and Arizona and the 500,000 cruise passengers who visit Ensenada every year.

The construction on this marina offers opportunities for U.S. suppliers of hotel, spa, restaurant and marina equipment. Other opportunities are in engineering, construction, and financial services.

For additional information, contact: Javier Orozco Abogado, Principal, Marinas del Noroeste, Minerva 64, Col. Credito Constructor, Mexico, D.F. 03940. Tel: +52-5555661-3870/4565; Fax: +52-5555661-4517.

Coffee – More Annual 2002 Reports

To help Hawaii coffee manufacturers and suppliers keep updated on worldwide competition and trends, the U.S. Department of Agriculture's Foreign Agricultural Service publishes periodic coffee reports regarding the production, supply and demand in various countries. Additional reports since the May 2002 issue of *Trade Invest Monthly* have become available for the following countries:

-El Salvador	-Mexico	-Ecuador
-Guatemala	-Vietnam	-Columbia
-Cote d'Ivoire	-Honduras	-Peru
-Costa Rica	-Nicaragua	

Indonesia – Skin Care Products

Source: U.S. & Foreign Commercial Service – Indonesia. Since the Asian economic crisis of 1997 caused skin care product

sales in Indonesia to drop by more than 70%, Indonesia's skin care product sector has steadily improved to an estimated annual growth rate of 5-10% over the next two years.

Increases are due to the growing awareness of the value of skin-care treatment for both males and females. With the number of working women increasing, these women are more concerned about their overall health, especially their skin care, in order to look presentable.

Potential opportunities focus on the following areas: 1) spa businesses and related product lines, 2) skin care products containing natural herbal ingredients – Indonesia is known for its traditional herbal formulas and treatments, and domestic consumers prefer products that contain natural ingredients, and 3) products must be compatible with Indonesia's hot and humid climate.

The National Agency of Drug and Food Control regulates cosmetic products. There are no import barriers on cosmetics. The import duty for skin care products is 10% plus 10% VAT and 10% sales tax on luxury goods.

Vietnam – Shrimp Farmers

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mass death among shrimps, increasingly common phenomena in many areas of the country. Discharging untreated water and other waste into canals, irrigation systems, or rivers is now prohibited. Shrimp farmers are required to build settling ponds to remove sediment and other matter, and to keep records of the quarantine inspections on their shrimp. It is reported that only 400 hectares out of 1,500 hectares of the shrimp farms in Can Gio District meets the requirements. However, building wastewater treatment systems for shrimp farming is expensive. It is estimated at VND300 - 400 million (US \$20,00 - 27,000) per hectare.

New Zealand Supermarket Competition

Source: U.S. & Foreign Commercial Service – New Zealand. For Hawaii manufacturers looking to expand in the New Zealand domestic market, knowledge of the supermarket sector is a must.

The supermarket sector is highly competitive between the stores. There are currently three main operators –

- *Foodstuffs New Zealand* – *New World Supermarkets*, *Pak 'n' Save*, *Write Price* – 55% market share
- *Progressive Enterprises* – *Foodtown Supermarkets*, *Countdown*, *Three Guys* – 24% market share
- *Woolworths* – *Woolworths Supermarket*,

Big Fresh, *Price Chopper* – 20% market share

There is a possibility that Australian-based *Progressive Enterprises* owned by *Foodland Associated* may purchase *Woolworths*. If this happens, supermarket competition will shrink to two big operators, and there is concern that only two operators will lessen competition.

According to an A.C. Nielsen survey, in New Zealand, the Top 20 products with the highest value % change include: non-carbonated mineral water (rank 4), beer (rank 7), pet care and accessories (rank 12), wine (rank 19), and canned fish & seafood (rank 20).



Hawaii Convention Center
Site of the Hawaii Sister Summit 2002

Report Request Form

Trade Invest Monthly

Hawaii's International Business Network

Company: _____

Contact person: _____

Address: _____

City: _____

Zipcode: _____

Telephone: _____

Facsimile: _____

Email: _____

Report(s) requested:

- ☐ Taiwan - New Nutritional Labeling Reg.
- ☐ Philippines – Planting Seeds
- ☐ Korea - Restaurant Franchise Market
- ☐ Hong Kong - Outbound Travel Indus.
- ☐ Japan – E-Learning
- ☐ Japan - Home Remodeling Market
- ☐ Indonesia—Skin Care Product
- ☐ New Zealand Supermarket Competition
- ☐ Vietnam - Shrimp Farm Cleanup

Coffee Annual Reports

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| <input type="checkbox"/> Cote d'Ivoire | <input type="checkbox"/> Guatemala | <input type="checkbox"/> Costa Rica |
| <input type="checkbox"/> Honduras | <input type="checkbox"/> Nicaragua | |

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Please fax this completed form to (808) 587-3388, or Email your request to:
tradeinvest@dbedt.hawaii.gov

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